

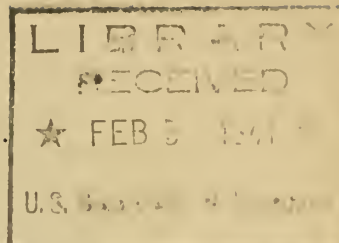
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UNITED STATES DEPARTMENT OF AGRICULTURE
U. S. Agricultural Marketing Service

FEDERAL-STATE COOPERATION IN MARKETING SERVICES.



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Every day we read and hear over the radio such terms as "total defense", "total mobilization", "total war." Probably few people fully realize what they mean or could mean to this country. Such terms are strange to our thinking and to the precedents with which we have been accustomed in making comparisons. All that we can be reasonably sure of is that world events are taking place with bewildering speed, and that new world rules are in the making, regardless of who wins this war. We can be reasonably sure that adjustments of tremendous importance to all of us will have to be made for we have not yet recovered from the disaster of the last war, and no one can foretell the results of this catastrophe. Most certainly agriculture will be profoundly affected; and the problems of marketing farm products will need more attention to meet changing conditions.

I can remember when I first became interested in marketing work in the United States Department of Agriculture that Mr. David Houston, who was then Secretary of Agriculture, made the statement "production is only half of agriculture; marketing is the other half." The United States Department of Agriculture was then -- only 25 years ago -- just beginning in a specialized way to concern itself with marketing problems. Some of the States already had started a few marketing activities in a small way.

Most of us can remember when such Government activities as developing and promoting the use of uniform standards, market news, and even crop reports were regarded by many as unwarranted encroachments upon private business and a waste of public funds. These activities, together with much of our regulatory work in marketing today, received their first impetus from the last war. Having demonstrated their usefulness in war time, it was recognized they could be equally useful in peace time. Now it is generally accepted that activities or "services" of this kind can be most effectively carried on by government. We have made considerable progress in developing them; but they have not yet been developed to their maximum usefulness.

This Association, for about a year and a half, has been devoting a great deal of attention to pointing to the need for more marketing services. Differences of opinion have arisen as to the method to be followed, but I have yet to hear anyone speak in opposition to the objective sought.

The Agricultural Marketing Service is one of the newest bureaus in the United States Department of Agriculture. It, and its predecessors, have worked with the State departments of agriculture, the agricultural colleges, and with trade organizations in developing service and regulatory work as an aid to farmers in marketing their products.

We have learned to work together. More and more there is a clearer understanding of the part State and Federal agencies have in the national picture -- and marketing is a national problem. It cannot be dealt with adequately on a State basis alone. It must be approached from a State, regional, and national basis. As December is traditionally a time for taking stock, it might be of sufficient interest to take a few minutes to review some of our cooperative relationships.

We do not yet have a well-rounded program of cooperation. That is to be expected in dealing with 48 separate entities. The marketing problems vary in the different States. Some States have been active in marketing work; others comparatively inactive. There are differences in administrative procedure, and occasionally differences in viewpoint as to State and Federal responsibility. But as of December 1 the Agricultural Marketing Service had 283 cooperative agreements in effect -- 185 with State departments of agriculture, 46 with agricultural colleges, and the remainder with other organizations. It might be of interest to break these down into broad lines of work.

Let's begin with crop estimating. It is the oldest activity in the United States Department of Agriculture -- started when the Department was organized in 1862. Except for the Census, the Division of Agricultural Statistics of the Agricultural Marketing Service is the chief source of basic data pertaining to agriculture in the United States today. There is probably no other organization quite like it, at least in the scope and detail of its operations, anywhere in the world today. Incidentally, there is in this work one of the finest examples of public spirited cooperation to be found anywhere. The crop and livestock reports rest upon the voluntary cooperation of hundreds of thousands of farmers and business men. They receive no pay for the many hours of time spent in filling out the schedules we send to them regularly. Some have been cooperating for 50 years, many for 25 and 30 years.

Our first cooperative agreement was made in this work with the Wisconsin Department of Agriculture in 1917. Now 35 States are cooperating in varying degrees. In 23 of these States the agreements are with the State department of agriculture; in the others, with the college.

No longer does any State undertake to issue separate estimates of crop or livestock production. The general tendency has been to expand the work under these agreements so that the information collected today is more accurate and diversified than at any time in our history. For example, we have had an agreement in North Carolina for 22 years. At first it provided only for the regular crop reporting work. Today, in addition to that, there is an excellent farm census taken annually through the State assessors. Under other laws in that State, information is collected on sales of tobacco, butter and cheese production, and reports of peanuts threshed. All this information is handled through one office; reports are issued jointly, and the work is financed with Federal and State funds. This is a fine illustration of effective Federal-State cooperation. There are many others.

Whenever there is a national emergency this work has to be expanded. When new national agricultural programs must be developed, more and more information is needed for their proper planning and effective execution. This work was expanded to provide the additional information needed for the programs developed during the depression. Our information on agriculture is much more complete than it was at the beginning of the last war, and we are in far better position to undertake whatever expansion may be needed in the present emergency. Many items of important information still are missing, however, and need to be supplied in order to present a current well-rounded picture of the agricultural situation at frequent intervals.

This is especially true with respect to the supply situation; up-to-date reports of stocks on hand are incomplete for some commodities and entirely lacking for others. For example, no official data are collected or available as to stocks of dried beans or soybeans or grain sorghums. Lacking also are data on stocks of processed commodities such as canned, dried, and frozen fruits and vegetables; dried eggs, evaporated milk in distributors' hands; and sugar. Information as to stocks on hand is limited for many of the grains and for most of the agricultural seeds. No information is available regularly relative to stocks of vegetable seeds. Because of the difficulty of obtaining vegetable seeds from most of the European countries upon which we have relied in the past for supplies, we are now making a special survey of the vegetable seed situation at the request of the National Defense Advisory Commission.

The demand for detailed annual county estimates of acreage, yield, production, value of crops, and numbers of livestock continues to grow. The county estimates for cotton, which were prepared for the Agricultural Adjustment Administration, covering the period 1928 to 1937 and published last year, have created a strong demand for similar county figures for other crops and for livestock. In only a limited number of States are county estimates available on a few other crops.

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Estimates of the production of meat and meat products, including poultry for consumption, are now made only once a year, mainly for use in estimating income. Additional information is needed in order to place these estimates on a sound basis and to permit the issuance of more frequent reports. Inadequate statistics are available concerning the rapidly growing production of broiler chickens; and of the production for market of other types of poultry in large commercial poultry plants. Outside of federally inspected packing plants, basic statistics on the slaughter of meat animals and poultry are incomplete, especially information relative to slaughter in nonfederally inspected packing plants, local abattoirs, and butcher shops. Farm-slaughter estimates still lack the desired degree of accuracy.

It has long been recognized that reports on highly perishable vegetable crops should be made available promptly to be of maximum usefulness. To this end, a program was started last year whereby more timely semimonthly truck-crop news reports summarize information on progress of the crops, stage of maturity, time of harvest, and period of heavy shipments by major producing and shipping areas. That part of the program relating to prompt information on sudden damage to truck crops from freezes and storms was tested during the winter of 1939-40, when truck crops in the South were severely damaged by record low temperatures. Information on this damage was immediately wired to Washington by field statisticians and within 24 hours was flashed to all parts of the United States, over the Service's leased wires, was broadcast by radio, and disseminated by the press.

These and other items of important information indicate the need for a well-rounded program on a national basis. The lack of such information provides an additional opportunity for further cooperation between Federal and State agencies. Wherever it is possible more fully to round out this program, it is expected that it will be developed, as in the past, in close cooperation with State agencies.

Market News. The market news work is being carried on in cooperation with 25 States. As you know, this has proved to be one of the most popular of the marketing services developed for farmers. So far as cooperation with the States is concerned, it has been developed under the general policy that the Agricultural Marketing Service would collect information of national importance and that the States, so far as they were able, would supplement the national program by assisting in disseminating the national reports and adding to them information of local interest. The chief dark spot in the market news program, particularly with respect to fresh fruits and vegetables, is the lack of more adequate information as to the volume of these products moving to market by motortruck. Without this information, there are times of the year when our market reports for many of the larger markets fail to give an adequate picture of the daily supply situation in those markets. This is an item of

great importance, and presents an excellent opportunity for further cooperation between Federal and State agencies.

A more recent development in the market news program has been in connection with the so-called consumer broadcasts written especially for homemakers. Our regular market reporter gives daily developments on the wholesale markets that will help the homemaker obtain economical "buys" and add variety to her menus. Production, shipment, and unload data are all used in such broadcasts from time to time, but largely as background information in order to point to products in heavy supply or to seasonal products as they come on the market. Efforts are made to make such broadcasts interesting. Here is an opening statement from one of the reports from our Cincinnati representative:

"Many of you homemakers probably grow flowers. And among your plants you probably have some morning-glory vines. But while admiring the vari-colored, trumpet-shaped blossoms of these annuals, did it ever occur to you that one of our staple vegetables is nothing more nor less than the enlarged root of a vine that belongs to the morning-glory family? it is the sweetpotato."

Then he went on to tell about the sweetpotato market situation in Cincinnati. These programs are well received by consumers, farmers, and distributors. Such broadcasts are now presented over a network of New England States; also from Cleveland, Cincinnati, and Kansas City. This work provides another good opportunity for us to cooperate. It should be of special interest to State agencies. Our marketing services must follow the product all the way to the end of the chain of distribution. It is important that consumers take an interest in current marketing conditions and understand changes as they occur.

Another type of broadcast, primarily for the benefit of farmers, has been developed at New York City. This program is based on the theory that growers supplying the New York market need "today's market news today." To furnish such information, one of our reporters begins to compile prices of locally grown products at 4 a.m. His report is broadcast over a large New York radio station at 6:30 a.m. This makes it possible for growers who sell to truckers to know where they stand on current prices. This program is very popular -- it could well be duplicated in other areas. It is merely a part of the need to localize market information -- another opportunity for us to work together.

A recent survey showed that more than 400 radio stations are now devoting time regularly to broadcasting market information. All of this time is given without cost to the Federal and State agencies conducting market news work. It is another indication of the popularity of this type of information among farmers, distributors, and

consumers, for certainly the radio stations would not incur the substantial cost of bringing this information to their listeners unless they were satisfied of the demand for it. On Monday, December 16, a special feature will be made a part of the National Farm and Home Hour to observe the twentieth anniversary of the sending of the first market report by radio. Now the radio carries market reports into hundreds of thousands of farm homes every day.

Standardization. The larger part of the production of commercialized agriculture moves in interstate commerce. Uniform standards of description are essential to successful long-range buying and selling of farm products. The development of marketing according to grades which adequately describe the quality and condition of products is a problem in which all of the State departments of agriculture must be interested. A number have developed excellent programs in their States; others have been less active. The development and maintenance of standards for use in interstate transactions is not primarily a State problem, however. The history of marketing farm products in this country shows the confusion that existed when the only grades available were those prescribed by States and trade bodies.

The Agricultural Marketing Service, being in position to study standardization problems in all parts of the country, serves the States in the capacity of a national research laboratory. In the interest of uniformity, we must take the initiative in standardization research, but we can and do cooperate with State departments of agriculture and with agricultural colleges. There remains so much to be done in the further perfection of standards for farm products, that this field presents an excellent opportunity for further cooperation and the combined use of all the funds all of us are likely to have for this immediate activity.

The standards developed by the Agricultural Marketing Service are of two general classes -- mandatory and permissive. Outstanding illustrations of the first group are the standards for cotton and grain. Under the United States Cotton Standards Act and the United States Grain Standards Act, only the official standards promulgated by the Secretary of Agriculture may lawfully be used in interstate commerce when cotton and grain are sold by grade. Under the Tobacco Inspection Act all tobacco sold at auction on markets designated by the Secretary of Agriculture (after a referendum of tobacco growers) must first be inspected according to the official standards by representatives of the Department of Agriculture. The Agricultural Marketing Service does this work.

The permissive standards are formulated by the Agricultural Marketing Service and recommended for use. Their use is not compulsory. So far as Federal law is concerned, there is no requirement that such products as fruits and vegetables (fresh, canned, frozen, or dried) or dairy and poultry products, and many others, be sold by grade, except when dealing in futures under the Commodity Exchange Act. We have, however, developed standards for most of these products. Some of the States have by State statutes adopted these standards and require inspection according to them.

The development of standards for describing quality and condition of farm products is far more complicated than developing standards for length or weight. Developing a standard for describing the important factors of quality for cotton is quite a different problem, than prescribing the standard foot rule or pound. In the application of standards for quality, we must yet rely to a large extent upon human skill and judgment.

Progress is being made, however, in developing improved inspection technique and more precise methods of measuring the grade specifications. In the case of cotton, for example, highly technical research work is under way to determine the composition of the fiber and why it behaves as it does under varying conditions. Spinning tests are conducted to test the accuracy of present standards and to find ways of improving them. Instruments for the more precise measurement of color (an important standardization factor) have been developed. During the past year we have equipped most of our cotton classing offices with artificial daylight to effect greater uniformity in cotton classing.

An important contribution has been made to the inspection of grain by developing the electric moisture testers and adapting them to grain inspection. Only recently our grain standardization research laboratory developed a method of measuring the protein content of flour by the use of the photo-electric cell. This method has not yet been perfected for the inspection of grains, but it holds promising possibilities in that direction. Progress is being made in developing a reliable method for determining the shrinkage of wool which, when fully developed, should prove highly advantageous to wool producers. The development of more precise methods of inspection for all products is a problem in which we must all be interested. It is fundamental to the further improvement of inspection work.

Inspection. I shall comment only briefly on the inspection work which is the activity in which cooperation with State departments of agriculture has been most extensively developed. You are all familiar with it. As of December 1 we had in effect 163 cooperative agreements. Most of these are with State departments of agriculture, although some are with extension services and with commercial organizations. The outstanding development of cooperative work in this field has been with fresh fruits and vegetables. Last year more than 500,000 carlots were inspected under cooperative agreements. Progress also is being made in the grading of dairy and poultry products, and several other commodities.

I believe the efficiency with which inspection work is carried on under these cooperative agreements is steadily increasing. To a lesser extent we encounter evidences of what appears to us to be undue political influence. The inspection of most products requires experience and skill on the part of the inspector. If the inspector employed by the State suspects that his job is affected by political preference, his efficiency and the stability of the inspection program are likely to be adversely affected. I believe this principle is being increasingly recognized. It does not mean, however, that a high standard of skill and performance should not be required at all times.

Another point which I should like to mention is the fact that the number of men who must be employed to handle the work at shipping points during the rush season for fruits and vegetables frequently presents a special problem. Most of the licensed inspectors are conscientious and capable workers although many of them have employment as inspectors for only a few months each year. It should be possible for the inspectors at shipping points to be a mobile organization moving from section to section as their services are needed. To a considerable extent, this is now possible. A few of the States, however, still insist upon the policy of employing only residents of the State.

About 10 years ago we began cannery inspection of vegetables. For many years tomato canners had been contracting with growers on the basis of a flat price. Such a practice placed no premium on satisfactory quality. Many arguments resulted between grower and canner as to what should be accepted when inevitable weather conditions affected the quality or adverse market conditions lowered the price of the canned product. We developed grades for cannery products, and now producers enter into contracts providing for price differentials on the basis of grades. Arrangements then were made to have an inspector at the plant to inspect the products as they were brought in by the growers. The inspector takes 3 or 4 hampers from each lot, pours the contents out on a grading table, and rapidly determines the percentage of No. 1 or No. 2. The operation is done in the presence of the grower. This work has now grown to include 13 products, and during the last fiscal year more than 960,000 tons, mostly tomatoes, were inspected.

We are now experimenting with a new kind of inspection in the field of canned fruits and vegetables. We call it "continuous inspection" and it works this way: In five canning plants -- one in New York, one in Michigan, one in Florida, and two in California -- our inspectors observe the preparation and packing of certain food products at each step in the canning process. Such lots as are sold by the canner for labeling in terms of the U. S. grades bear the grade statement incorporated in the shield insignia authorized for this purpose. The program, developed at the request of certain members of the canning industry, is being carried on at the present time as an experiment.

We insist that the cooperating plants be spick and span and our inspectors see to it that they are kept that way. All employees who handle food must have passed a physical examination and products are carefully inspected for wholesomeness and quality as they are packed into the cans.

Only products packed under the continuous inspection service can carry the prefix "U. S." in connection with the grade designation. When the grade is indicated on the label such as "U. S. Grade A (Fancy)" it is accompanied by the statement "this product was packed under the continuous inspection of the Agricultural Marketing Service, United States Department of Agriculture and the above grade officially certified."

During the next few months we hope to get a direct line on consumers' opinions of grade-labeled canned foods. We hope to do this through a special survey in a number of large cities throughout the country in cooperation with several universities. At selected retail food stores cooperating in the study, consumers who purchase Government grade-labeled canned foods will be handed a questionnaire. Through information obtained from these questionnaires, as well as from other sources, the Service hopes to determine the kind of canned food products consumers buy, and whether the homemaker was satisfied with the quality of Government graded foods and would purchase them again.

The standardization and inspection program is closely complemented by our activities in education and demonstration. Briefly stated, this phase of our work is aimed at bringing about a better understanding of standardization and inspection and the benefits that accrue from an extension of those services. The work has been very successful as it concerns livestock and grain, and it has been a real education to tobacco growers.

Let me give you one example. A grower offered at auction a lot of tobacco weighing 620 pounds. This was graded B3G by the inspector and a bid made for it at \$18.25 per 100 pounds amounted to \$113.15 for the lot. The farmer was dissatisfied with both the grade and price. The inspector pointed out that the lot contained brown and dark wrappers as well as green leaf, but as the green leaf represented more than 20 percent of the lot, all of it had to be graded as B3G. The farmer then re-sorted this tobacco into three lots which when offered again for sale, brought a bid \$41.47 more than the original bid.

Careful sorting of this kind by growers, of course, makes the operations of the "pinhooker" less profitable. Speculators have found it increasingly difficult to pick up bargains on the auction floors and, more growers as a result are receiving the returns to which they are entitled.

The success with which we have met in the limited demonstration work we have been able to do leads us to think that a marked expansion of this type of activity is highly desirable. Too many producers, after a hard season's work, are being penalized by poor preparation of their products for market. In most cases, the producers are not at fault; they simply do not understand the requirements of the markets.

Demonstrations of tobacco sorting were conducted in the presence of between 55,000 and 60,000 farmers during the past year. Last year more than 37,000,000 pounds of turkeys were graded, and demonstrations conducted to show farmers the proper method of preparing turkeys for market. More work of this kind is needed on eggs, poultry, butter, and fruits and vegetables. Shifts in production are continually taking place. New areas and new producers are coming into the picture each year. This situation presents an opportunity for Federal and State agencies to render assistance which means dollars and cents to farmers.

Regulatory Work. There is not time to discuss in any detail the regulatory work of the Agricultural Marketing Service. The Service is administering 20 separate Federal statutes. Most of these statutes deal with standardization although several are concerned with trade practices. One of the most prominent in the latter group is the Perishable Agricultural Commodities Act under which commission merchants, dealers, and brokers handling fresh fruits and vegetables in interstate commerce are required to be licensed by the Secretary of Agriculture. Nearly 21,000 of such dealers now operate under Federal licenses, and about 2,000 complaints are handled each year. Another is the Packers and Stockyards Act which gives the Secretary of Agriculture authority to regulate stockyard rates and commission charges for livestock and live poultry.

One of the most recent regulatory acts administered by the Agricultural Marketing Service is the new Federal Seed Act. This Association, at its annual meeting in Chicago last year, requested the Agricultural Marketing Service to prepare a suggested uniform State seed law. It further requested and urged the States to enact uniform seed legislation. In complying with the request, we enlisted the cooperation and assistance of all national associations interested in seed legislation. Growing out of that request we have prepared a proposed uniform State seed law and copies have been sent to all State seed law enforcement officials and others interested in such legislation. In preparing that proposal, the Agricultural Marketing Service in reality has served as the medium through which the best thought and ideas relating to seed legislation have been brought together. Drafting the suggested law has been something in the nature of a sifting process -- the selection of workable procedures; the elimination of others. In such a procedure all persons could not be pleased or entirely satisfied and all differences of viewpoint could not be settled. As the proposal now stands, it does not represent the work of the Agricultural Marketing Service or of any one group. It is the product of the joint efforts of all concerned with or interested in uniform State seed legislation in the country today.

In the interests of uniformity and with full recognition of the differences that must obtain in Federal and State seed legislation, a suggested law has been drafted as nearly as practicable to conform to the Federal Seed Act. In doing this, the suggested law has been made to embrace the best features of the uniform State seed law of 1917, and accordingly those features of present State seed laws which, after years of experience, have demonstrated their practicability. I hope that each Commissioner of Agriculture having responsibility for the enforcement of the State seed law will give this proposal serious consideration as a greater uniformity in seed legislation is highly desirable and in the interests of all concerned. Memorandums of understanding designed to facilitate the enforcement of the new Federal Seed Act have been signed by 36 States, and it is expected that most States eventually will cooperate in this way. To a large extent the success of the enforcement of the new Federal Seed Act will depend upon the combined use of State and Federal administrative facilities.

The field of "marketing services" and the possibilities for cooperation between State and Federal agencies is too broad to do more than give a few illustrations within the time available. It includes not only the assistance which can be given to producers, distributors, and consumers by the development of programs for information, standardization, inspection, and regulation, but efforts to improve methods of marketing and the facilities used throughout the whole chain of distribution from the time the product leaves the farm until it reaches the consumer.

One of the important needs is the modernization of facilities for handling farm products, particularly the more perishable ones, in the large consuming and distributing centers. Many of these facilities are antiquated, inefficient, and add unnecessary costs to distributing farm products. This is exemplified by a report issued during the past year by the Bureau of Agricultural Economics and the Agricultural Marketing Service of a study of the fruit and vegetable market facilities in New York City. This report showed that a relocation of the market with modern facilities in that city should result in an annual saving of approximately \$8,000,000.

Such problems must be of interest to producers and country shippers as well as distributors operating in the terminal markets. Most of these costs eventually find their way back to producers and must be taken into account as a part of the national program of coordinating and improving the marketing process all the way from producer to consumer. It prompts the question as to whether we have yet developed a national point of view on the marketing of farm products. It challenges the best effort possible on the part both of Federal and State agencies concerned with "marketing services" particularly in this time of rapidly changing conditions.

